Losses of Public Sector Banks

1712. DR. Y. LAKSHMI PRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether balance sheet of public sector banks for 1995-96 show huge loss in contrast to Rs. 1116 crores profit in 1994-95; and

(b) if,so, the reasons therefor and the concrete measures proposed to ensure that the banking sector accrues profit and the futrue of investors are secured?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR): (a) The public sector banks have incurred a net loss of Rs. 371.36 crores during the year 1995-96 as against a net profit of Rs. 1115.8 crores during 1994-95.

(b) According to Reserve Bank of India (RBI) the following are the major reasons for the losses of the public sector banks during 1995-96:

(1) provisioning towards Non performing assets for the year 1995-96 and additional provisioning on account of short provisioning tor NPAs made in the earlier years;

(2) increased provisions towards depreciation on investments; and

(3) payment of wage arrears arising from revision of pay scales. RBI/ Government have taken various steps to improve the overall functioning of banks which will lead to higher profitability and security for the depositors and investors. Banks have been advised, inter-alia, to increase low cost deposits, reduce overhead expenditure, improve organisational set-up, improve the productivity level inclusing mechanisation in key/ selective areas and containment of staff, human resource development, improve house keeping and internal control, strengthening pre and post credit supervision and vigilance machinery, improve the quality of assets profit planning and improvement in profit level etc. The loss making banks have been advised to contain credit expansion, capital expenditure, recruitment of staff, branch expansion etc.

Investment of Money Deposited in Nationalised Banks on State/National Level Projects

1713. SHRI GOPALSINH G. SOLANKI: Will the Minister of FINANCE be pleased to state:

(a) whether more than eighteen percent of the money deposited in nationalised banks in Gujarat is invested in the State, while thirty two percent is invested on projects of national level;

(b) the detailed positions in regard thereto, State-wise, particularly in Madhya Pradesh and Gujarat; and

(c) the steps being taken or proposed to be taken in order to bring Gujarat, Madhya Pradesh and other States at par with national level and to improve the situation in the country as a whole?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. P. VEERENDRA KUMAR): (a) to (c) The aggregate deposits and gross bank credit of nationalised banks in Madhya Pradesh and Gujarat as on the last Friday of March 1996, as reported by Reserve Bank of India (RBI) are given below:—

(Rs. in lakh)

	Aggregate Deposits	Credit
Madhya Pradesh	8191,06	17669,95
Gujarat	4088,13	8196,04

The Credit Deposit Ratio (CDR) in a particular State or Region depends not only on the efforts made by the banks but various other factors including the credit absorption capacity, infrastructural support and overall policy framework in the State. The State-wise details of CDR (including Madhya Pradesh and Gujarat) as on the last Friday of March 1996 is given in the enclosed Statement, *(sec* below)

The Reserve Bank of India had set up Task Forces to ascertain the reasons for